Subject: Program Guidance Letter 13-06   Date: August 1, 2013
Safety Management Systems (SMS)

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Division, APP-500   Attn. of:
For Joe Hebert

To: PGL Distribution List

This Program Guidance Letter (PGL) provides Airport Improvement Program (AIP) grant funding guidance for certain Safety Management System (SMS) activities. This guidance discusses developing an Implementation Plan and SMS Manual, as well as Safety Risk Management (SRM) activities under FAA Order 5200.11, FAA Airports (ARP) Safety Management System, associated with an AIP-funded project.

This PGL creates new paragraph 401.g in FAA Order 5100-38C, the AIP Handbook.

The SOAR Code for preparing an Implementation Plan and SMS Manual is:

    SA PL MS (Prepare SMS Manual)

The National Priority Rating (NPR) for development of an airport's internal SMS is 78.

There is no separate NPR for SRM activities associated with an AIP-funded project, because SRM activities are simply an eligible cost associated with that project.

401. g. Preparation of Safety Management System Manual and Associated SRM Activities

(1) **GENERAL**.

    a. Because safety is the highest priority of the FAA, the FAA has determined that two categories of airports are eligible to use AIP funding to develop their internal SMS Manual.

        1. Any airport certificated under 14 CFR Part 139 that is also included in the National Plan of Integrated Airport Systems (NPIAS); or

        2. Any Nonprimary airport classified as "National" in the FAA's May 2012 "ASSET" report or as may be updated from time to time.

    These two categories generally represent the busiest airports in terms of enplaned passengers or operations, as well as (generally) the largest and heaviest types of civilian aircraft.

    b. Therefore, the FAA has determined that reasonable contract costs for development of an initial Implementation Plan and SMS Manual are eligible and justified for AIP planning grant funds for these airports. See 401(g)(2) for further information regarding reasonable and allowable costs.

    c. Airports may use available AIP entitlement funds and/or may request AIP discretionary funds. The FAA will set aside a limited amount of AIP discretionary funds in FY-2013 and FY-2014 as an incentive for airport sponsors that move quickly to adopt and implement SMS.

    d. Certain contract costs associated with the SRM activities of an AIP-funded development project (required under FAA Order 5200.11, "FAA Airports (ARP) Safety Management System") may be allowable costs within that AIP grant. See 401(g)(3) for further details.

(2) **IMPLEMENTATION PLAN AND SMS MANUAL**

    a. **Planning Grant Requirements.** A project to develop an Implementation Plan and SMS Manual has been defined as "airport planning" by the FAA, making it eligible for grant funding under 49 United States Code §47102(5)(a) for the two categories of airports listed in section 401(g)(1)(a) above. The implementation plan and SMS manual must meet all of the requirements associated with planning grants, including the requirement that these grants cannot be amended to add funds.

    b. **Implementation Plan.** Because an Implementation Plan is an integral step in the development of an SMS Manual, the cost of developing an Implementation Plan as part of preparation for an SMS Manual is an allowable cost.

    c. **Eligibility Limited to Airport Sponsor's Activities.** Only the portions of the Implementation Plan and SMS Manual that outline the airport sponsor's initiatives to enforce airport policies and procedures, such as rules and regulations, minimum standards, or other existing controls, can be funded

with AIP. AIP funds can help establish safety protocols that affect users of the airport, but AIP funds cannot be used to help users of the airport manage their own operations.

d. **Computer Hardware and Software.** Recently, FAA completed a review of the SMS pilot program. In the pilot program, some airports used SMS software for development of the implementation plan and SMS manual, and/or for actual implementation of SMS.

The FAA will allow AIP funds to be used for the one-time (initial) acquisition of airport-owned software applications that are specifically designed to support airport SMS implementation, if all of the following conditions are met:

1. The airport sponsor can demonstrate that the software is necessary for successful SMS implementation consistent with the size and complexity of the particular airport;

2. The software acquisition must be a part of comprehensive SMS implementation at one of the two categories of airports listed in section 401(g)(1)(a) above;

3. The sponsor must complete the SMS Manual for FAA review and acceptance before selecting or specifying computer software.

4. The airport sponsor must commit to sharing sanitized data with the FAA; and

5. The software must be a deliverable as part of the SMS planning study.

Funding for computer software is limited to the applicable Federal share of no more than $50,000 per airport sponsor, based on demonstrated justification.

e. The Implementation Plan and SMS Manual must be based on an FAA-Approved Scope of Work, Deliverables and Costs. The FAA must determine that the costs reflect the scale and complexity of the airport's infrastructure and operating environment.

f. The SMS Manual must include the four components of SMS: Safety Policy, Safety Risk Management, Safety Assurance, and Safety Promotion. However, the costs of Safety Promotion *implementation* are not eligible, because incorporating SMS into the airport culture includes operational, maintenance, and other activities that are not AIP eligible.

g. The scope, content and organization of the Implementation Plan and SMS Manual will eventually be defined in an Advisory Circular or regulatory action. For purposes of this PGL, the Implementation Plan must follow Attachment 1 and the SMS Manual must follow Attachment 2.

(3) **PROJECT-SPECIFIC SAFETY RISK MANAGEMENT (SRM) COSTS**

    a. Some projects require an SRM Panel (SRMP). The reasonable costs of the AIP project consultant for an AIP-funded development project to support the SRM, including a third party facilitator, may be included in the project as an allowable cost. The salaries and other costs of airport employees are not allowable costs because these are operational costs. Safety risk management (SRM) provides for initial and continuing identification of hazards and the analysis and assessment of risks. SRM further integrates SMS in the day-to-day operations of the airport. Because operational costs are not eligible under AIP, these ongoing activities and their incurred costs are not AIP-eligible.

    b. A recommendation from an SRMP or in an SMS Manual is not necessarily eligible simply because it is an SRMP or SMS Manual recommendation. This is because a recommendation may be wholly operational, or may involve work from ineligible entities (such as FAA ATO or other FAA lines of business that have independent operational budgets.)

    c. It is possible that a recommendation in an SMS Manual or resulting from an SRMP may be an allowable cost of an AIP-eligible capital projects, or may be independently eligible as an AIP capital project. In that case, the cost would be part of the eligibility priority and justification requirements of the project type and airport size classification. For example, an SRMP may recommend relocating a taxiway to eliminate a runway crossing. In that case, because taxiway projects are already eligible under AIP, the taxiway project recommended by the SRMP will follow the existing published requirements for taxiway projects.

(4) **PUBLISHED GUIDANCE**

    a. FAA Order 5200.11, FAA Airports (ARP) Safety Management System, provides guidance on SMS and SRM activities.

    b. The current version of Advisory Circular 150/5200-37, "Introduction to Safety Management Systems for Airport Operators," provides guidance for implementing an SMS at an airport.

    c. Other published guidance is available on the FAA website at the following address:
http://www.faa.gov/airports/airport_safety/safety_management_systems/

Attachment 1
Required Elements of an SMS Implementation Plan[1]

1. **SMS Development and Deployment Strategy.** In this section, provide a detailed proposal on how the airport will develop its SMS. Use the subsections to guide your description and add subsections where necessary.
    a. SMS Development
        i. How will the airport develop its SMS Manual? Will it procure consultant assistance or develop it in-house?
        ii. Will the airport conduct a gap analysis? If so, what is the timeline for completion?
        iii. Are there any existing programs, policies, or practices that the airport plans to use as a foundation for the SMS elements?
    b. SMS Deployment Strategy
        i. Does the airport plan to use a phasing strategy? If so, what will be phased (i.e., phasing the SMS into the movement area first and then into the non-movement area or phasing the components and elements of SMS)?
        ii. Will the airport include its landside operations in the SMS? If so, how will landside requirements be kept separate from airside requirements?
    c. Procurement
        i. Does the airport plan to acquire any new systems or technology that will require procurement? If so, how long does the airport anticipate that procurement taking?
2. **Schedule for SMS Development and Deployment**
    a. Major Milestones:
        i. List the major milestones associated with SMS development and deployment. This can be in narrative or tabular format. This section should summarize the airport's major milestones and the target date for completion. It should focus on higher-level milestones leading up to complete implementation.
    b. Challenges:
        i. List and explain any challenges the airport may face that could impact these target dates (e.g., lease or union negotiations or procurement schedules). Where possible, include a description of the methods the airport will use to mitigate these challenges where possible and track the status of these issues.

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[1] These requirements are subject to change either through future updates of this PGL, the AIP Handbook, associated Advisory Circulars or regulatory action.

Attachment 2
Required Elements of an SMS Manual[2]

The SMS Manual should provide enough detail to be systematic, proactive, and explicit. The airport should use the four SMS components (Safety Policy, Safety Risk Management, Safety Assurance, and Safety Promotion) and establish the supporting processes, procedures, etc., scalable to their operations, organization and governance structure. For example, an airport could use a drop box for hazard reporting under the Safety Assurance component instead of acquiring a web-based reporting system or other new infrastructure to support hazard reporting on the airport. Also, the airport should use existing processes, procedures, etc., when possible, to serve as the basis or foundation of SMS compliance. For example, many airport sponsor organizations have existing policy statements that could be expanded or morphed to incorporate safety commitments.

1. The airport's Safety Policy which includes the statement and documentation adopted by the airport to define its commitment to safety and overall safety vision. At a minimum, the Safety Policy section of the SMS Manual should:
    a. Express management's commitment and responsibility including the identification of an accountable executive for the airport
    b. Include a safety policy statement signed by the accountable executive
    c. Appoint key safety personnel and detail their responsibilities
    d. Establish safety metrics or objectives for the airport
    e. Detail documentation requirements under the SMS
2. The airport should establish a formal process within its SMS to address Safety Risk Management. At a minimum, the SRM section of the SMS Manual should:
    a. Include processes for identifying hazards and other operational safety issues
    b. Establish safety risk assessment processes/procedures and acceptable mitigation methods for the airport. The safety risk assessment process will use a five step method of:
        i. System description
        ii. Hazard identification
        iii. Analyzing risk
        iv. Assessing risk
        v. Mitigating risk when necessary
3. The airport should establish processes that will evaluate the continued effectiveness of implemented risk mitigation strategies, support hazard identification, and provide confidence that the airport is meeting its safety metrics or objectives to satisfy the Safety Assurance component of SMS. At a minimum, the Safety Assurance section of the SMS Manual should:
    a. Establish means for monitoring and measuring safety performance associated with established safety metrics or objectives
    b. Establish and maintain a hazard reporting system
4. Under the Safety Promotion component, the airport should use a combination of

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training, communication, and other methods to foster a safety culture. At a minimum, the Safety Promotion section of the SMS Manual should:

    a. Detail training for SMS implementation and oversight

    b. Identify the types employees to receive that training

    c. Establish formal means for communicating safety information